

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

Date:

Segment: Health Plan Rate and Benefit Changes Seminar

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Guests: Mark Johnson, Anthem Blue Cross
Gloria Feldman, Medco

Video Transcript

Pamela Goldberg:

We'd like to invite Mr. Mark Johnson of Anthem Blue Cross.

Mark Johnson:

Good afternoon this southern California. I have a total of 14 slides that I'm going to be going over. The first several slides are basically an overview of the PPO plans, how they work, the differences between the three separate plans.

On the first slide, as a lot of you may know, the CalPERS sponsors and offers three separate self insured PPO plans called PERS Care, PERS Choice, and PERS Select. PERS Care has been in place the longest amount of time. I believe this plan was originally introduced in the 1970s. It does have the highest level of coverage after the deductible. It is a 90/10 plan. And it does have the full Blue Cross PPO network available to it.

The PERS Choice plan that is by far the most popular of the three PPO plans. In fact about 90% of all the enrollment in the three PPO plans is enrolled in the PERS Choice plan. And also on top of that, virtually all out of state retirees that are under age 65 are enrolled in the PERS Choice plan. The PERS Choice plan has 80/20 coverage after the deductible, in comparison with the PERS Care 90/10 coverage. It also like PERS Care offers a full access to the Blue Cross PPO physician network which is over 55,000 physicians statewide, and approximately 380 hospitals. I, having been in the business as long as I have, I can tell you honestly that on a competitive basis, compared to all other PPO plans that are offered in both private and public employers, that the PERS Choice plan stacks up very well. Now the third plan is the PERS Select plan. PERS Select is a new plan that was offered originally in January 2008. It basically has the same coverage available as the PERS Choice plan. Where it is different is that it uses a more select physician network than the full networks that are available under PERS Care and PERS Choice. Approximately 60% of the physicians in the PERS Care and PERS Choice network are available under PERS Select. They are known as Select physicians. We are taking that one step further in 2011 by introducing a narrow hospital network and I'll go over that in a couple of slides. Again, the main focus on the PERS Select plan is offering the most premium competitive plan as possible and in fact in 2011, overall PERS Select will be the lowest priced plan in the entire CalPERS health benefits

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program. And it is able to do that by using a more cost efficient physician network and we're also rolling out a more cost efficient hospital network.

In terms of the PPO plan comparison, looking at the three separate plans, they do have various similarities. They do have the same \$500 annual deductible. They do offer the same \$20 office visit copay. They do provide 100% routine and preventive coverage and a \$50 emergency room deductible applies to all three plans. In terms of differences in the three plans, as discussed before, the PERS Care plan is the highest level of coverage being a 90/10 plan after the \$500 deductible. Whereas PERS Choice and PERS Select are 80/20 plans. PERS Care has several benefit levels which are of a higher nature, richer nature, than PERS Choice and PERS Select. Physical therapy is one. Chiropractic and acupuncture coverage is another. Now all three PPO plans essentially work in the same manner in that first a \$500 deductible has to be met before certain services such as hospitalization, surgery, behavioral health coverage, imaging services, things of that nature, the whole myriad of medical expenses, are covered. So once an individual has met their \$500 deductible, then for PERS Care coverage, the next rack of bills that come in, the plan pays at a 90% level, the members pays a 10%. Under PERS Choice and PERS Select, the member would be responsible for 20% and the plan pays 80%. Now the PERS Care plan has a lower level where the member's 10% coinsurance has been, has a maximum set for it. And that's \$2,000 per individual, \$4,000 per family. Under PERS Choice and PERS Select, the maximum copayment amount is \$3,000 for an individual and \$6,000 for family.

Also for prescription drug coverage, and that'll be covered by Medco the next speaker, are exactly the same on all three plans.

A lot of people ask me, because I handle a lot of health fairs myself. A lot of people come up to me and they ask why should I have the PPO coverage? Well I ask people to consider this one key point or question they should ask themselves. Am I willing to share more in plan expenses, medical expenses under a PPO plan because clearly in the PPO plan you will share more in expenses than you would under an HMO plan because there is a deductible and there is coinsurance. But the flip side of the coin in this proposition is am I willing to share more in expenses to have unrestricted freedom to choose and direct my medical care. I direct who I go to, where I go, when I go. And I think the more discriminating people are about what type of providers they want to see, PPO plan coverage might make a lot of sense. That's a factor I always ask people to ask themselves if they're interested in PPO coverage.

All three plans also share the same characteristic is that if non participating providers are used, then the plans pay at a 60% level. And also with using non participating providers, there is no guarantee that that particular provider will not charge a reasonable and customary fee. So a person opens them up to more expenses beyond the pure 60/40 proposition.

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Now I'm going to get into some plan changes for 2011. This is a summary chart that shows these three more substantive changes that we're making in the plans. Because of health care reform, the prior \$2 million lifetime maximum under PERS Choice and PERS Select are being removed as of 2011. That is because of health care reform. Now on all three plans, PERS Care, PERS Choice and PERS Select, we are introducing a pilot program called a value based purchasing design, specifically for hip and knee joint replacement surgery. And I will get into that in just a moment. We are also introducing into the PERS Select plan a narrow hospital network. And I will have an additional slide on that.

I'm getting to the value based purchasing design. The core of this is that in the past several years the single highest cost driver in health care costs has been hospitalization charges. We've been largely able to keep professional charges somewhat in line but hospital charges are taking a bigger and bigger chunk out of the health care dollar. We also know for a fact that hospitals all through California typically charge different fees for performing the same exact service. I'll give you an example. Hip and joint replacement surgery are something which is a wonderful new advance in orthopedic surgeries. Even my best friend, he's a double knee replacement. But these are very expensive procedures. The frequency of these procedures have just been going up through the roof the past few years. It's a wonderful thing that a lot of people are getting new hip and joint replacements. However, we know that hospitals around the state some charge \$85,000, sometimes even more for this service and yet you may have a hospital three miles away in the same general area that may charge under \$30,000 for the same scope of services. That happens every day in California. So what we've done at Anthem Blue Cross working with the CalPERS board and CalPERS staff is that we've created a specialized network of 44 hospitals throughout California--and these are some of the elite hospitals such as UCSF, Stanford, St. John's in Santa Monica, Cedars Sinai in Los Angeles—and they have agreed that for a threshold level of \$30,000 that they will cover a normal knee and hip replacement in total. So what this is trying to do is we're trying to acknowledge the fact that hospitals all through the state charge different levels for the same service and by creating this specialized network, that we will be able, that we pick number one providers that do this in great frequency so they have gotten quite good and efficient at these procedures, and that we're able to keep a lid on cost. This is a pilot program. If it works well I can see this being rolled out to more procedures in the future. Now if an individual has a knee or hip joint replacement at a hospital which is not one of the 44 designated hospitals, any charge beyond \$30,000 for the hospital fee, they would have to pay the difference. Now, we will have a procedure in place, all surgeries have to be pre certified with the Blue Cross nurse line. So we will have the ability to advise someone that you may want to think twice about going to a hospital which is not one of the 44 designated because you are possibly exposing yourself to more out-of-pocket expenses.

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Now the next program we're rolling out is the narrow hospital network but this is only for the PERS Select plan. And again, we're addressing the same theme that hospitals throughout California charge a great, there's a great variance in fee charges for the same procedures.

We have created a special network of approximately 160 hospitals all through California, that's about 42% of our full network of hospitals, that have qualified for tier one status. All the other participating hospitals in our network are going to be known as tier two hospitals. And frankly who qualified for tier one is largely based on the costliness of their fees. These are more cost efficient hospitals. The proposition is that you can receive the same coverage levels that you presently have in the PERS Select plan, that is the 80/20 proposition for hospital charges after the \$500 deductible if you use tier one hospitals. If you use tier two hospitals, the coinsurance level drops to 70% and the maximum out-of-pocket doubles. An individual could be out possibly \$6,000 rather than the \$3,000 if they use a tier two hospital. So in all PPO plans, to make it work the way it's designed, you have to have a financial disincentive for someone not to use the plan the way it's designed. Well the payoff by making this narrow hospital network is that we were able to take the premium differential which presently exists between PERS Select and PERS Choice which right now is 6% and more than double that for 2011. For the ability to have the same available benefit coverage, PERS Select is 13% lower than PERS Choice in the year 2011. That's a compelling premium differential. That's what the value proposition is. Hey, these are tough times. People are having a tougher time paying for all their costs, their share of premium costs as well. And these programs, particularly the narrow network on the PERS Select plan directly addresses what's causing a lot of the problems very, very high hospital costs, that vary greatly from hospital to hospital, even in the same communities.

Like all the carriers, we have set up a cobranded microsite with CalPERS, it's a joint microsite between CalPERS and Anthem Blue Cross. Is chock full of information. Anything anybody would want to be able to find is available on this microsite. One of the key components of the microsite is what we call provider finder, and on the home page, there's the picture of a very friendly physician there and that's the link you use to find out who's participating in which networks. And in time, probably in a few weeks, we will have loaded into that microsite and into the provider finder which hospitals constitute the tier one versus tier two on the PERS Select plan and we will also have in that microsite the identity of the 44 hospitals that will be serving as the special designated hospitals for the knee and hip joint replacement.

Like all carriers, Anthem Blue Cross provides the full array of disease management programs. Asthma, diabetes, COPD, congestive heart failure and CAD. We also provide a program called Future Moms which is designed to help out high risk pregnancy mothers. And we also have a 24/7 nurse line available. My wife used to actually be one of those 24/7 nurse line nurses and I can't tell

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you what a wonderful program it is, but not enough people use it. Basically at the tip of picking up your telephone, you can call, you talk to a live nurse, they use physician protocol. And it sure beats going to a doctors office and sitting there for two hours. If you get the same advice on the phone through physician, computer protocol and an RN and it sure beats going to an emergency room and sitting there for five hours. So I would encourage people to try to promote the use of that.

And we also at Anthem Blue Cross provide a whole array of discount programs which are all loaded here on this particular screen. And again we have other types of really valuable services on our microsite. Web MD is one. You can have your own health record online. You can review your claim status online. We also have treatment cost advisory and we have a new program called Anthem Care Comparison where you can actually get hospital comparison. It's a hospital comparison tool on actual costs. And I think really in my opinion, having been in the business as long as I have, that perhaps the new narrow network that we're going to be introducing to the PERS Select plan, may be a trailblazer because in terms of being an insurance company, we've tried everything to control costs. We've created networks, and now let's try, now is basically the time to take those networks and actually make them even smaller and more cost efficient.

And I'll be available later during the question and answer period. Thank you very much for listening to me.

Pamela Goldberg:

Thank you Mark. Next we'd like to invite the representative from Medco Gloria Feldman.

Gloria Feldman:

Thank you Pamela. Medco is the pharmacy prescription benefit provider for the PERS Care, PERS Choice and PERS Select plans as Mark mentioned in his presentation. I'm going to start off by telling you a little bit about Medco. Medco provides pharmacy benefit management services for approximately 65 million Americans. And last year we managed just under 700 million prescriptions through Medco and 100 million of those prescriptions were through our Medco mail service pharmacy. We partner with approximately 60,000 retail pharmacies nationwide. Our retail pharmacy network does include all major chain pharmacies and most independent pharmacies. In 2009, Medco processed approximately 27 million prescriptions through our website. And we're starting to see an upward trend in getting e-prescriptions from doctors rather than written prescriptions or faxed prescriptions.

One things that Medoc is very proud of is in 2010 we captured the number 1 position in the health care sector on Fortune's most admired companies list for the third consecutive year. And we were ranked in several, number 1 in several attributes in this write-up including innovation and quality of products and

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services. And I think one of those innovations can really be seen in the last bullet in this particular slide, which is Medoc has over 1,100 specialist pharmacists in our mail service facilities throughout the country. These specialist pharmacists are trained to support patients with specific conditions such as diabetes, asthma and cardiovascular disease.

Next I'm going to talk a little bit about different drug types. You may have heard some of these terms before. The first drug thing I'll talk about is preferred brand medications. These are medications that are preferred by the plan and they are designed as such by an independent clinical review board decision. These are typically medications that only have, are manufactured by one company. There are not multiple sources of the medication out there and there's no generics available. An example of this type of a drug would be Lipitor.

If we move along, I'll tell you a little bit about non preferred brand medications. And those are also designated by the same independent clinical review board. These are medications that have other options available, either a generic or another brand alternative.

The next category on this slide is generic medications. These are medications that are available from multiple manufacturers and they're significantly less costly than their brand name counterparts. They're safe and effective and have the same active ingredients as the brand name medication.

The next category I'll talk about is over-the-counter products. Over-the-counter medications are generally not covered under by CalPERS with the exception of diabetic test strips, insulin and lancets. And something I want to point out here on this slide that's new for 2011 is prescription medications that have an over-the-counter alternative available are no longer going to be covered under the plan. An example of the types of medications that fall into this category are some of the allergy products such as Zizil, Allegra D, Zexophenadine. There's some other drugs that will be impacted as well and a couple other examples would be Zantac, Pepcid and Hydrocortisone. I will tell you that members who are on a prescription medication that will no longer be covered in 2011 will see, will receive a targeted communication letting them know that, and we will include that communication what their over-the-counter alternatives would be.

The last drug type I will tell you a little bit about is specialty drugs. Specialty drugs are typically high cost medications that sometimes require injection or an IV infusion. They will require special safety monitoring oftentimes patient training might be required for the administration of the drugs. They sometimes come in unique packaging arrangements, they might need to be frozen or refrigerated in the shipping process. And Medco has a specialty pharmacy called the Credo where we have high touch interaction with patients who are on specialty medications. These are folks who have severe diseases, chronic conditions such as multiple sclerosis or hemophilia.

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The next part of our presentation I'm going to get into is going to talk about the prescription benefits specific to CalPERS. The copays by and large are not changing for 2011. One of the changes I will note is you'll see it on the last line of the slide there, it says lifestyle medications. Those will now be covered at a 50% coinsurance at retail and mail and these include the erectile dysfunction products such as Viagra, Levitra and Cialis. The copays regardless remain the same for \$5 generic copay at retail, \$15 preferred brand copay and \$25 non preferred brands. I do want to point out the second column in this chart references maintenance medications. This is one important feature members should know about the benefit. If they are on a maintenance medication and they choose to continue to fill it at retail after two fills they will pay an increased copay. So the copay would go up from \$5 up to \$10 for generics, from \$15 to \$25 for the preferred brands and from \$45 to \$75 for the non preferred brands. And this is, members get either a 30 or a 34 day supply at retail. Whereas they could spend the same cost, the \$10-25-75 at mail order and get a 90 day supply. So it's really a financial benefit for members to go ahead and switch to mail.

The next slide talks a little bit more about prescription copays and one of the other items that's going to be changing for 2011. Currently there is an out-of-pocket maximum at mail of \$1,000 per calendar year per patient. So any drugs that are currently being filled at mail count towards that out-of-pocket maximum, and then once it's reached, the copay drops down to zero dollars for the member for the remainder of the year. The change that's being made for 2011, excuse me, is non preferred medications which we talked about earlier, will be excluded from the out-of-pocket maximum. So only generic products and preferred products will be included in the \$1,000 out-of-pocket max.

The last change I want to point out on this slide that is coming for 2011 is related to the partial copay waiver. You may have heard of this. For some members who are taking a non preferred medication, they could be eligible to receive a partial copay waiver. For instance if they're not tolerant to the non preferred medication, I'm sorry, they're not tolerant to a generic or alternative medication and they must take the non preferred medication, they can go through a review and get approved for a partial copay waiver. That copay waiver is increasing this year from \$30 at retail to \$40 and then from \$45 at mail to \$70. So that is a change that should be noted for the 2011 plan year.

Members can find out about their prescription coverage and copayments by visiting Medco.com or also calling our member services number.

Okay. The next slide will talk a little bit about our preferred drug list, also called a formulary. You might've heard that term before. A formulary is a list of generic and brand name products that are preferred by the plan. The formulary is developed so it offers members a choice in products while also helping to keep the cost of the prescription benefit affordable. The list is developed by a clinical

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committee of national medical experts, and that committee is made up of pharmacists and physicians and they meet quarterly to discuss updates to the formulary. One item I want to point out here is if there is a change to the formulary and it impacts members, where their product they might be taking today is a preferred product but tomorrow it might be a non preferred product, and therefore have an increased copayment, we always notify the members of those changes. So that they're not surprised when they go into the pharmacy.

Members can get information about the formulary on medoc.com or by calling out member services number.

The next thing part of the presentation I'll get into is getting started with mail order prescriptions. We talked about earlier how mail order has a real advantage financially for members. To get 90 day supplies of medication also offers a number of conveniences as well. There's some steps listed here in the presentation on how a member can get started on mail order. And the first step is by talking to their doctor and letting them know they would like to get a prescription for a 90 day supply and refills for up to one year, if appropriate. Those prescriptions can be sent to Medco either by the doctor. They can fax the prescription to Medco or they can send it via an electronic prescription like I mentioned earlier. Patients can also send in the prescription via mail as well. When a member is first starting on mail order, we like to ask they have at least a 14 day supply of their medication on hand. We want to ensure that there's not going to be any break in therapy when they get their prescription. We don't want them waiting around for their mail order to show up. So, it's sometimes good to get a short term supply at retail while you're waiting for that mail order prescription to arrive. New prescriptions are generally delivered in 8 days from the date that we receive the prescription in-house at Medco. And then refills are delivered to the member 3 to 5 days after the order is received at Medco. Members have a lot of opportunities or options I should say to pay for their prescriptions. They can pay by credit card, check, money order or e-check, and then standard shipping for medications is free. And of course a pharmacist is available to talk to members 24 hours a day, 7 days a week. Refills can be ordered online at the customer service phone number through our website. Or a new feature that we have that just came out last year is called Medco's worry free refill program. And this is a program that members can elect to opt into. They can elect by medication if they're interested in having that particular medication on the worry free refill program, and what it does is it will automatically refill the product for you when it's available for fill. So you don't have to remember to go onto the website and order that refill. This program is optional and can be turned off or on at any time. Orders are typically sent via US mail in a tamper-proof envelope and some medications that need to be refrigerated could arrive in special packaging. And then each prescription is sent with a literature pack as well.

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The next section I want to talk about is how can your members get information about the 2011 benefit before January 1. Members want to go out there and be informed about what their options are, and see if, if this product works for them. So we have a couple ways that they can do that. And they're actually listed on the following slide but basically members, prior to electing their benefit design, can either call customer service or log onto our website to get information about their copays, find out if a particular drug is covered, maybe they're worried about one of these prescription products that has recently gone over-the-counter and think that's maybe not covered under the plan. There's ways for them to call in and get that information or go onto our website. Listed here on the screen is the member services number. What they need to do when they call this number to get this prospective information is actually press 1 and they will be directed to an open enrollment representative. And then the second way is through the open enrollment website at medco.com\calpers. There is a section on the website here on the right hand navigation bar that says learn more about your prescription benefit and that is for prospective members to log in and find out what the coverage is.

The next slide talks about how Medco provides support to your members. Obviously we have a customer service number that folks can call. We're also providing new members who sign up to the plan with a welcome kit that tells them all about Medco and how to get started with mail and what their benefits are. We also send periodic communications out announcing plan changes and other features that Medco has to offer. Of course we've got our website that's specific to CalPERS, the medco.com\calpers. And then we also have brochures and materials that can be available for you and your staff at the health benefits offices to help support enrollment fairs and benefit fairs.

The last two slides of the presentation talk about Medco's website, medco.com and some of the features on the website. The first one here that's listed, this is relatively new, came about last year, is called the Medco health store. And basically it's an online drug store, similar to the products you could get at Walgreens. You can order on the Medco health store. They're not part of the prescription benefit but it's just a nice to have add on for members. There's a for your doctor visit section where a member can print information about their prescription history and take it with them to a doctors visit to talk about any potential changes. And the last thing that I'll talk about is the My Rx Choices cost savings comparison tool that's on Medco.com. I would highly recommend you have your members check this out. It's a really great way for them to see how they might be able to save money on switching to perhaps a generic product or moving their prescription to mail.

I want to thank you for allowing me to spend time to share information about Medco today, and I look forward to taking questions at the end of the seminar.